SUPREME COURT, U. S.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1968

No. 912

THE IMPERIAL TOBACCO COMPANY (of Great Britain and Ireland), LIMITED, *Petitioner,*

v.

PHILIP MORRIS INCORPORATED, *Respondent.*

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

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Petitioner prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Fourth Circuit, entered in the above entitled case on August 23, 1968.

CITATIONS TO OPINIONS BELOW

The opinions [1] of the District Court are reported at 251 F.Supp. 362 (E.D. Va. 1965) and at 282 F.Supp. 931 (E.D. Va. 1967) and are printed in Appendix A hereto, *infra,* pp. 8a and 40a respectively. The consequent judgment of the District Court is printed in Appendix A, *infra,* p. 5a. The opinion[2] of the Circuit Court of Appeals is reported at 401 F.2d 179 (4 Cir. 1968) and is printed in Appendix A, *infra,* p. 1a. The order of the Circuit Court of Appeals denying a Petition For Rehearing is printed in Appendix A, *infra,* p. 4a.

JURISDICTION

The judgment of the Court of Appeals was entered on August 23, 1968. The order of the Court of Appeals denying a timely Petition For Rehearing was entered on October 3, 1968, p. 4a, *infra.* On December 31, 1968, Mr. Justice Stewart granted Petitioner's Emergency Application For Extension Of Time To File Petition For Writ Of Certiorari, extending the time for filing this Petition to January 7, 1969. The jurisdiction of this Court is invoked under 28 U.S.C. Section 1254(1).

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[1] After determining for Respondent on certain issues presented by the Complaint and Answer herein, the District Court was persuaded that its Findings and Conclusions did not dispose of certain additional issues tendered by the Counterclaim. It therefore permitted the pleadings to be amended more explicitly to set forth the undecided issues and, after a second trial limited to those issues, decided them partially in favor of Petitioner. Hence the two opinions of the District Court.

[2] The reported text is as amended by the Order on Petition for Rehearing.

QUESTIONS PRESENTED

I. What did this Court mean by its decision in *United States* v. *American Tobacco Co.*, 221 U.S. 106 (1911), dissolving "The Tobacco Trust", where it said, at page 185:

> "* * * three dominant influences must guide our action [in framing relief]: 1. The duty of giving complete and efficacious effect to the prohibitions of the statute; 2. the accomplishing of this result with as little injury as possible to the interest of the general public; and 3. a proper regard for the vast interests of private property which may have become vested * * *?

In particular, what is the effect of those words upon the proper interpretation to be given to the decree entered by the Circuit Court pursuant to that decision where it ambiguously provides

> "* * * each company [would] treat as its own, but only to the extent provided for in said contracts, all brands and trademarks which by said contracts, it was given the right to manufacture and sell, the said rights having been perpetual and constituting in effect a conveyance of the brands and trademarks used in the countries * * *". *United States* v. *American Tobacco Co.*, 191 F. 371, 418 (C.C.S.D.N.Y. 1911)?

II. Or, stated in practical terms, were the Courts below correct in finding themselves constrained by the expressed intent of this Court, as they felt it, to construe the decree language to itself confer upon the American Tobacco Company greater rights in the United States trademarks of the Imperial Tobacco Company than the rights which those companies had by their contract conveyed in furtherance of their conspiracy in restrain of trade and by the transfer of such greater rights away from Imperial to hamstring

it as an effective competitor in the United States market for branded tobacco products?

STATUTES INVOLVED

None of the material required to be reproduced by Rule 23. 1. (d) is involved in this case. Rather it is required to be determined what is the intent of this Court, as expressed in its opinion in *United States* v. *American Tobacco Co.*, 221 U.S. 106 (1911) and implemented by the Circuit Court in *United States* v. *American Tobacco Co.*, 191 Fed. 371 (C.C. S.D.N.Y. 1911), when applied to determine the rights of the parties in a trademark dispute today.

STATEMENT OF THE CASE

Respondent (hereinafter sometimes "Philip Morris") commenced this civil action by filing a complaint on January 31, 1963 against Petitioner (hereinafter sometimes "Imperial"), alleging infringement of common law and Federally-registered trademarks and unfair competition. Imperial denied all liability and asserted a counterclaim for a declaratory judgment affirming its asserted position as licensor of the disputed trademarks and for other relief.

Philip Morris is a Virginia corporation. Imperial is a British company, with registered office at Bristol, England, that has been qualified to do business in Virginia since August 8, 1903.

Federal jurisdiction rests not only upon the ground of diversity of citizenship and the fact that the amount in controversy exceeds the value of $10,000, exclusive of interests and costs, but also upon 28 U.S.C. § 1338, in that this civil action arises under the trademark laws of the United States, *viz,* the Lanham Act, adopted July 5, 1946 (as amended), 15 U.S.C. § 1051 *et seq.*

The parties agreeing, the issues of liability under the theories of the complaint and the counterclaim were separated from the issue of damages, if any. Subsequently, following a decision awarding Philip Morris an accounting for damages, the parties stipulated for a nominal award and this forms part of the final judgment.

The entire controversy stems from the history of the so-called "Tobacco Trust", beginning with the formation of Imperial in England in 1901 as a counter to a threatened invasion of the United Kingdom by The American Tobacco Company, focusing on the terms by which Imperial and American divided up the world in lieu of competition in 1902, and culminating in the decree of dissolution in 1911 *United States* v. *American Tobacco Co.*, 191 Fed. 371, 417-431 (C.C., S.D.N.Y. 1911), pursuant to decision of this Court, *United States* v. *American Tobacco Co.*, 221 U.S. 106 (1911). Philip Morris acquired its first basis for its present claims by virtue of contractual arrangement with The American Tobacco Company. In order to understand what rights American had to transfer, it is necessary to analyze the contracts by which Imperial became a part of the Tobacco Trust.

Both Philip Morris and Imperial manufacture and sell, the first in the U.S. and the second in the U.K., tobacco products bearing the words "Player's Navy Cut" many times repeated, a device consisting of a lifebuoy also often bearing the words "Player's Navy Cut" with a sailor's head appearing in the center, and a certain Nottingham Castle trademark.

Philip Morris claims the exclusive right to use these words and at least the lifebuoy and sailor's head device on its products in the United States based upon a

conveyance to it by The American Tobacco Company (hereinafter sometimes "American Tobacco") allegedly of such rights, its asserted use thereof on a commercial scale before that of Imperial, its registrations in the United States Patent Office, and public recognition resulting from its use. In consequence, Philip Morris claims that any use of the word "Player's" or "Player" on any tobacco products in the United States constitutes an infringement of its rights.

Imperial claims that the right to use the composite expression "Player's Navy Cut" and the device of the lifebuoy with the sailor's head in the center in the United States is under exclusive, but restricted, license to Philip Morris, perpetual unless breached, by assignment from American Tobacco; and, hence, Imperial concedes that it has no present right to use this composite expression and device on any of its products in the United States. However, Imperial claims that it has the right to use the word "Player's" or "Player" otherwise on products of its John Player and Sons Branch in the United States subject to no control whatsoever by American Tobacco or Philip Morris. Imperial further claims that it has both the right to prevent others, including Philip Morris, from using its trading name, "John Player & Sons", and to use it itself as it sees fit in the United States. Additionally, Imperial claims that it is the sole and continuing owner of the Nottingham Castle trademark in the United States and that Philip Morris has no right to use the same without Imperial's permission.

The District Court decreed against Imperial on its claim of continued right to use any expression including "Player" or "Player's" in any form, but it ruled that Imperial had the right to prevent Philip Morris

from using Imperial's trading name "John Player & Sons". It also ruled for Imperial completely as to the Nottingham Castle trademark.

Insofar as the District Court ruled in favor of Imperial, Philip Morris has accepted the correctness of these rulings and the issues of fact and law necessarily decided for these rulings stand as *res judicata.*

The Court of Appeals affirmed the District Court. Both Courts acted on a supposed intent of this Court.

The District Court said (p. 9a, *infra*):

> "The controversy turns primarily on the question of whether Philip Morris is a licensee of Imperial. Imperial's position depends on interpreting the opinion, decree and other proceedings in *United States* v. *American Tobacco Company,* 221 U.S. 106 (1911) as continuing a license created by agreement between Imperial and American Tobacco Company.
>
> "The Court concludes that the antitrust proceedings brought by the United States against American Tobacco Company and other defendants terminated the agreement made by the tobacco companies. Consequently, Philip Morris is not a licensee of Imperial."

And the Court of Appeals said (p. 4a, *infra*):

> "Of course, it is not our province to review the action of the Circuit Court some fifty-seven years ago. Thus, even if Imperial's contention were correct, we would be precluded from altering the clear intent of that decision."

All seem to agree that the pre-1911 decree posture of Imperial was that of owner-licensor of the disputed rights. It is Imperial's position that the decree must have either abrogated the license wholly, putting Imperial back as owner of all, or confirmed the license

insofar as it had been exercised, which latter seems the correct view. It is Philip Morris' view, (and that of the Courts below) that the decree converted the license into an outright conveyance.

This is a serious misconstruction of an action of this Court which only this Court can correct. As demonstrated hereinafter, it operates effectively to shackle a major English company from bringing important ones of its major brands to the American market—each of them a brand as to which neither Philip Morris nor American Tobacco, its assignor, has at any time laid claim.

I. THE JUDGMENT BELOW MISUSES THE DECISION OF THIS COURT DISSOLVING "THE TOBACCO TRUST", 221 U.S. 106 (1911), BY PERPETUATING ONE OF THE FORBIDDEN AIMS OF THAT TRUST, NAMELY, THE EFFECTIVE EXCLUSION OF IMPERIAL FROM COMPETITION IN THE UNITED STATES MARKET FOR MANUFACTURED PRODUCTS

It has long been recognized that manipulation of trademark rights, especially between persons of different nationality, may result in unlawful division of markets or other limitations on competition in violation of the policy of the anti-trust laws of the United States. *Timken Roller Bearing Co.* v. *United States,* 341 U.S. 593, 598-9 (1951); and compare *United States* v. *Guerlain, Inc.,* 155 F. Supp. 77 (1957), Government motion to dismiss granted, 358 U.S. 915 (1958), dismissed with prejudice, 172 F. Supp. 107 (1959).

While it cannot be said that the state of the law with respect to the interplay of trademark rights and the antitrust laws is fully developed and well settled, it surely can be said that an anti-trust decree should not be so interpreted, if any other rational interpretation can be found, as to convert a mere license to manu-

facture certain specific brands, among many, into an outright transfer of a generic house mark with the necessary effect of excluding the foreign owner of that house mark from *all* business in the United States under his established brands.

When the Tobacco Trust was expanded in 1902 to include Imperial as well as the monopolistic American Tobacco Company of the day, those two giants agreed upon a division of the world into three markets—the U.S.A., the United Kingdom, and the rest of the world. Among the devices they used to accomplish this division of territory was the obvious one of trademark arrangements. For the rest of the world, both American and Imperial expressly *assigned* their *entire trademark* position in the various countries outside the U.S. and U.K. to a jointly-owned company, British-American Tobacco Company. In contrast, for the U.S. and the U.K., the giant conspirators did *not* assign their trademarks or registrations thereof at all. They merely provided that each should be "empowered to manufacture the brands" of the other in their respective home territories and that "each party shall manufacture the brands of the other party upon recipes and formulae to be supplied by the other".

Thus, during the life of the conspiracy even, Imperial's brands could only be manufactured on terms which retained for them their Imperial brand identity and any voluntary dissolution of the conspiracy would have left Imperial with its full panoply of trademarks in the United States unimpaired. It is, of course, obvious that established trademarks are a *sine qua non* for effective competition in the cigarette and smoking tobacco business in the United States. Indeed, the

Attorney General of the United States pressed the Circuit Court to require *all* trademark rights transferred during the conspiracy to be restored to their original owner. But such was the respect in 1911 for *vested* rights that the Circuit Court would provide no more than "each company [was] to treat as its own, but only to the extent provided for in said contracts" those brands and trademarks of the other which it had actually used in its home territory. Of the tens of "Player's" cigarette brands shown by the record to have been actually in use in 1911 in the U.K., American Tobacco had actually only used the one, "Player's Medium Navy Cut", in the United States and that only on goods meeting Imperials recipes and formulae. This was the only brand to which American Tobacco laid claim following the decree.

II. THE EFFECT OF THE JUDGMENT BELOW IS TO MAKE A 1911 DECREE PURSUANT TO A 1911 DECISION OF THIS COURT INTO AN EFFECTIVE DIVISION OF MARKET TERRITORY FIFTY YEARS LATER BY INTERPRETING IT TO CREATE A TRADEMARK ARRANGEMENT IN VIOLATION OF THE POLICY STATED IN TIMKEN ROLLER BEARING CO. v. UNITED STATES, 341 U.S. 593 (1951).

As Mr. Justice Black observed in the *Timken Case, supra,* at page 599, "A trademark cannot be legally used as a device for Sherman Act violation".

It seems perfectly clear that if Philip Morris and Imperial wanted to divide up their territories and each agree to sell only in its home country that such an agreement would be illegal. *United States* v. *American Tobacco Company,* 221 U.S. 106 (1911). It seems equally clear that if they were to attempt to accomplish the same thing by the subterfuge of exchanging all the rights for England in Philip Morris trademarks for all the rights for the United States in Imperial trade-

marks, the subterfuge would fail on the authority of *Timken*. Until the Courts below found to the contrary in this case, the parties to the 1911 decree took it as merely confirming certain very limited license rights to continue trade actually begun before 1911, leaving each free to use the whole residue of its trademark position in free competition. The Courts below have now found that the 1911 decree does accomplish the exact subterfuge we submit *Timken* would forbid the parties to work. The intervention of this Court is required to correct this serious conflict in decision relating to the internationally important matter of United States trademark and anti-trust interplay.

III. A PERSONAL PLEA

It seems to Imperial's counsel that for "The Law" to conclude that the famous trademarks and brands on a packet of "Player's Medium Navy Cut" cigarettes denote other than a "Limey" product to the American Public, is for the law to make itself a bit preposterous. Perhaps his exposure to these packets in the E.T.O. in 1944-45 accounts for the strength of the feeling. With apologies if the plea seems frivolous, counsel urges that in this instance this Court should seize the opportunity to echo the sound common sense ofMr. Bumble in *Oliver Twist,* Ch. 51.

The Court will recall that when Mr. Brownlow stated, " * * * the law supposes that your wife acts under your direction", Mr. Bumble put it quite bluntly, "If the law supposes that, the law is a ass—a idiot". Charles Dickens, *Oliver Twist.*

To suppose that a packet of "Player's Medium Navy Cut" is not taken by most Americans to be an article

sponsored by the original Player people from England merely because it says in small letters truthfully "Manufactured in the United States by Philip Morris Incorporated, New York" tucked away under the equally truthful slogan "Estalished by JOHN PLAYER & SONS" borders perilously close on being also asinine. This Court should exercise its power to bring the law to the realism of Mr. Bumble and away from the Brownlowish suppositions of the Courts below.

CONCLUSION

For the foregoing reasons, this petition for a writ of certiorari should be granted.

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